

Date 09/29/08

**Environmental Management Consolidated Business Center (EMCBC)****Subject: Cost and Pricing Analysis Support for Financial Assistance
Actions and Post-Award Contract Actions**

PROCEDURE

APPROVED: (Signature on File)

EMCBC Director

ISSUED BY: OFFICE OF CONTRACTING

1.0 PURPOSE

This procedure establishes the general process for requesting and providing cost and pricing analysis support for financial assistance actions and post-award contract actions. Cost and pricing analysis support for pre-award actions is addressed by EM Directive EM HCA 1.2 "Requesting EM Consolidated Business Center Cost and Price Analysis Support."

2.0 SCOPE

2.1 The scope of this procedure is to ensure that adequate and timely cost and pricing analysis support is provided for financial assistance actions and post-award contract actions such as, but not limited to: (1) proposals submitted in response to post-award Requests for Proposals associated with the Changes Clause [FAR 52.243-2 "Changes – Cost Reimbursement" (Aug 1987) – Alternate 1 (Apr 1984)]; (2) proposals regarding Contracting Officer directed changes; (3) Requests for Equitable Adjustments (REA); (4) award and incentive fee matters; and (5) issues raised in audit reports issued by the Department of Energy Office of Inspector General (DOE-OIG), Defense Contract Audit Agency (DCAA), and Government Accountability Office (GAO).

2.2 This procedure also provides sample timeframes [see Attachment A] as a guide to assist with establishing interim milestones and managing expectations to complete each post-award contract change within 90 days after receipt of the contractor submission for actions within the local delegated approval authorities or 120 days for actions requiring Headquarters Business Clearance [see Section 2 of EM HCA 1.8 "Contract Change Order Administration of Prime Contracts"].

3.0 APPLICABILITY

This procedure applies to EMCBC and EMCBC serviced sites personnel who require cost and pricing analysis support for financial assistance actions and/or post-award contract actions and personnel who perform cost/pricing analyses.

4.0 REQUIREMENTS AND REFERENCES**4.1 Requirements:**

4.1.1 Federal Acquisition Regulation (FAR) Subpart 15.4, Contract Pricing

- 4.1.2 FAR Subpart 43.2, Change Orders
- 4.1.3 Department of Energy Acquisition Regulation (DEAR) Subpart 915.4, Contract Pricing
- 4.1.4 Department of Energy (DOE) Acquisition Guide
- 4.1.5 EM HCA 1.8, Contract Change Order Administration of Prime Contracts, dated June 3, 2008
- 4.2 References:
 - 4.2.1 IP-540-15, Rev 1, Review and Approval of Proposed Sales, Procurement, Financial Assistance, and Subcontract Actions
 - 4.2.2 DOE Memorandum, E. Simpson to Procurement Directors, “Contract Audits,” dated August 20, 2001
 - 4.2.3 DOE Memorandum, T. Brown to Procurement Directors, “Contract Change Order Administration of Department of Energy Prime Contracts,” dated April 1, 2008
 - 4.2.4 DOE Guide for Technical Analysis of Cost Proposals for Acquisition Contracts, dated May 1990
 - 4.2.5 DOE Guide to Financial Assistance, dated June 2008

5.0 DEFINITIONS

- 5.1 Proposal – The generic term “proposal” in this procedure refers to submissions from contractors as well as submissions pertaining to financial assistance actions.
- 5.2 Cost Analysis – The review and analysis of the separate cost elements and profit in an offeror’s or contractor’s proposal (including cost or pricing data or information other than cost or pricing data), and the application of judgment to determine how well the proposed costs represent what the cost of the contract should be assuming reasonable economy and efficiency [see FAR 15.404-1(c)(1)]. A cost analysis may be requested for, but not be limited to, the following:
 - (a) Cost proposals from contractors;
 - (b) Financial Assistance proposals;
 - (c) Requests for Equitable Adjustments;
 - (d) Award and incentive fee matters;
 - (e) Issues raised in audit reports issued by the DOE-OIG, DCAA and GAO; and
 - (f) Other requests for analysis and review from the Contracting Officer, EMCBC senior management; and/or Federal Project Directors.

- 5.3 Price Analysis – The process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit [see FAR 15.404-1(b)(1)].

6.0 RESPONSIBILITIES

6.1 Contract Specialist (CS)/Contracting Officer (CO):

- 6.1.1 The CS/CO is responsible for purchasing supplies and services from responsible sources at fair and reasonable prices. In establishment of the reasonableness of the offered price(s), the CS/CO must not obtain more information than is necessary for evaluation.
- 6.1.2 The CS/CO is responsible for evaluating the reasonableness of the offered prices, establishing and documenting a pre-negotiation objective before the negotiation of any pricing action, and for documenting the final results of the negotiation.
- 6.1.3 The CS/CO is responsible for requesting cost and pricing analysis support from the Office of Contracting, Cost and Pricing (C&P) Team Lead.
- 6.1.4 The CS/CO is responsible for copying the C&P Team Lead on each request for proposal and/or correspondence which directs a change to the contract if the CS/CO believes that a cost analysis will be requested after the contractor submits a response.
- 6.1.5 The CS/CO is responsible for requesting other analysis, such as an independent government cost estimate, from the C&P Team Lead on an “as applicable” basis.
- 6.1.6 The CS/CO is responsible for providing timely notification to the Cost and Pricing Team Lead that the contract modification has been executed (regarding each modification for which a cost analysis report was issued).

6.2 Federal Project Director (FPD)/Project Manager (PM):

- 6.2.1 The FPD/PM is responsible for performing the technical evaluation of the contractor’s proposal and, if requested by the CS/CO, participating in negotiations.

6.3 Office of Contracting, Cost and Pricing (C&P) Team Lead:

- 6.3.1 The C&P Team Lead is responsible for assigning a cost/price analyst, or depending on the scope of the cost analysis, a team of cost/price analysts (including a “lead” cost/price analyst as appropriate) to perform cost/pricing analyses, as requested.

- 6.3.2 The C&P Team Lead is responsible for providing guidance to cost and pricing analysts during the conduct of cost and pricing assignments.
 - 6.3.3 The C&P Team Lead is responsible for tracking compliance with the timelines established by Headquarters staff for disposition of post-award contract actions if a cost analysis report was issued regarding the action.
 - 6.3.4 The C&P Team Lead is responsible for providing guidance and recommendations to the CO/CS as well as to staff performing technical evaluations, and providing timely notification/updates to the CO/CS on the status of the cost analysis.
 - 6.3.5 The C&P Team Lead is responsible for assuring that cost/pricing analysts perform coordination of external activities such as requesting DCAA audits; supporting technical evaluations; and coordinating with staff of the EMCBC Cost Estimating Team.
- 6.4 Cost/Price Analyst:
- 6.4.1 The cost/price analyst is responsible for conducting the cost analysis of a contractor's proposal, coordinating the technical evaluation, and preparing a consolidated written report which incorporates the results of the cost analysis, technical evaluation results, and results of external audits and/or analysis by other DOE organizations.
 - 6.4.2 The cost/price analyst is responsible for coordinating external audit activities, or obtaining approval to waive the audit requirement.
 - 6.4.3 The cost/price analyst is responsible for coordinating with the cost estimator concerning preparation of an independent government cost estimate.
 - 6.4.4 The cost/pricing analyst is responsible for complying with requests from the CS/CO for supporting development of the pre-negotiation memorandum and/or participating in negotiations.

7.0 GENERAL INFORMATION – NOT APPLICABLE

8.0 PROCEDURE

8.1 CS/CO:

- 8.1.1 The CS/CO shall request cost and pricing support if the proposal exceeds \$650,000 unless the CS/CO has sufficient data to determine the reasonableness of the proposed cost or price pursuant to DEAR 915.404-2. The CS/CO shall copy the C&P Team Lead on each request for proposal if the CS/CO believes that a cost analysis will be requested. Cost and pricing

support may be requested for proposals below \$650,000, if considered necessary for the establishment of a reasonable pricing arrangement.

- 8.1.2 The request for cost and pricing support may be a telephone call or email to the C&P Team Lead. A copy [electronic or paper] of the proposal shall be provided as part of the request for support.
 - 8.1.3 After the C&P Team Lead confirms that the proposal meets the criteria in Federal Acquisition Regulation (FAR) Table 15-2, the CS/CO will coordinate with the cost/pricing analyst to request that the FPD/PM, or authorized representative, perform a technical evaluation of the contractor's proposal to include a qualitative/quantitative analysis of the cost/price proposal in accordance with the evaluation criteria set forth in the request for proposal.
 - 8.1.4 The CS/CO, as necessary, shall request that the FPD/PM and/or cost/price analyst participate in the negotiations of the contractor proposal.
 - 8.1.5 The CS/CO shall notify the C&P Team Lead of the date that the modification regarding the proposal/post-award action was signed.
- 8.2 Federal Project Director (FPD)/Project Manager (PM):
- 8.2.1 The FPD/PM shall perform the technical evaluation in accordance with the request received from the CS/CO and in accordance with Headquarters criteria and guidance, such as the Guide for Technical Analysis of Cost Proposals for Acquisition Contracts.
 - 8.2.2 The FPD/PM shall coordinate and work closely with the CS/CO and the cost/price analyst to provide technical input for the purpose of performing a comprehensive evaluation of the contractor's technical and cost proposal.
 - 8.2.1 The FPD/PM shall, if requested by the CS/CO, participate in the negotiations of the contractor's proposal.
- 8.3 C&P Team Lead:
- 8.3.1 The C&P Team Lead shall assign a cost/price analyst, or depending on the scope of the cost analysis, a team of cost/price analysts (including a "lead" cost/price analyst as appropriate) to perform cost/pricing analyses, as requested.
 - 8.3.2 The C&P Team Lead and cost/price analyst assigned to the effort shall advise the CS/CO if the proposal does not meet criteria in FAR Table 15-2.
 - 8.3.3 The C&P Team Lead shall track the receipt and processing of cost and pricing assignments.

- 8.3.4 The C&P Team Lead shall provide guidance and recommendations to the CO/CS as well as to staff performing technical evaluations, and provide timely notification/updates to the CO/CS on the status of the cost analysis.
- 8.3.5 The C&P Team Lead shall review each draft cost analysis report and supporting documentation to assure the following:
- the report data is accurate;
 - the report data is supported by adequate documentation;
 - the report adequately addresses each aspect of the proposal; and
 - the report complies with applicable policies and procedures.
- 8.3.6 The C&P Team Lead shall issue a final report of the cost analysis to the CO/CS.
- 8.3.7 The C&P Team Lead shall assure that an official file is created for the cost analysis report and supporting documentation.
- 8.4 Cost/Price Analyst:
- 8.4.1 If the scope of the analysis requires more than one cost/price analyst, one analyst will coordinate the overall conduct of the analysis, as assigned by the C&P Team Lead.
- 8.4.2 The cost/price analyst shall conduct the review and associated analysis of the cost/price proposal and work closely with the CS/CO and the FPD/PM to provide input for the purpose of performing a comprehensive evaluation of the contractor's technical and cost proposal.
- 8.4.3 The cost/price analyst shall coordinate external audit activities, or obtain approval to waive the audit requirement.
- 8.4.4 The cost/price analyst shall coordinate with the cost estimator concerning preparation of an independent government cost estimate.
- 8.4.5 The cost/price analyst shall coordinate and review the technical evaluation to assure adequate coverage of each applicable aspect of the proposal.
- 8.4.6 The cost/price analyst will forward a draft cost analysis report to the Cost and Pricing Team Lead. The draft report shall detail the results of the cost analysis and also incorporate the results of the technical evaluation, external audit report, and analysis performed by other DOE organizations. The report shall include recommendations regarding the quantum aspect of the negotiation objective, and as appropriate, other aspects of the negotiation objective.

8.4.6 The cost/pricing analyst shall prepare an official file for the draft cost analysis report and supporting documentation and provide the file to the C&P Team Lead.

8.4.7 The cost/price analyst will, if requested by the CS/CO, participate in the negotiations of the contractor's proposal.

9.0 RECORDS MAINTENANCE

9.1 Records generated as a result of implementing this procedure are identified as follows, and are maintained by the EMCBC Office of Contracting in accordance with the Office of Contracting Organizational File Plan:

9.1.1 Cost Analysis Reports

9.1.2 Supporting documentation for Cost Analysis Reports

10.0 FORMS USED

None

11.0 ATTACHMENT

11.1 Attachment A - Sample timeframes for completing each post-award contract change within either the 90 day or 120 timeframe [see Section 2 of EM HCA 1.8 "Contract Change Order Administration of Prime Contracts"].

11.2 Attachment B – Cost and Pricing Analysis Support Flowchart

**Suggested Interim Milestones
To Achieve the 90 Day Timeframe
Post-Award Actions Which Do Not Require Headquarters Approval**

<u>Action</u>	<u>Timeframe To Complete Action</u>	<u>Cumulative Elapsed Time After Receipt Of Reviewable Proposal</u>
<u>Technical Evaluation:</u> Provide results of technical evaluation to cost analyst	21 days [3 calendar weeks]	21 days [3 calendar weeks]
<u>Cost Analysis Report:</u> Issue report to Contracting Officer which incorporates results of technical evaluation, DCAA report, and EMCBC cost analysis	35 days [5 calendar weeks]	35 days [5 calendar weeks because this timeframe also includes receipt of the technical evaluation]
<u>Draft Pre-Negotiation Memorandum Briefing Package:</u> Submit pre-negotiation package for EMCBC business clearance review	21 days [3 calendar weeks]	56 days [8 calendar weeks]
<u>EMCBC Business Clearance:</u> Receive approval/business clearance to begin negotiations	7 days [1 calendar week - see section 8.6.3 of EMCBC procedure IP-540-15, Rev 1]	63 days [9 calendar weeks]
<u>Complete Negotiations and Sign Modification</u>	14 days [2 calendar weeks]	77 days [11calendar weeks]

The 90 day timeframe may be adjusted to offset delays beyond the control of the Contracting Officer. Typical examples of delays beyond the control of the Contracting Officer include:

- ✓ Contractor delays in submitting clarifications and supplemental supporting documentation
- ✓ Delays in receipt of DCAA audit reports
- ✓ Delays in receipt of results of technical evaluations

Suggested Interim Milestones

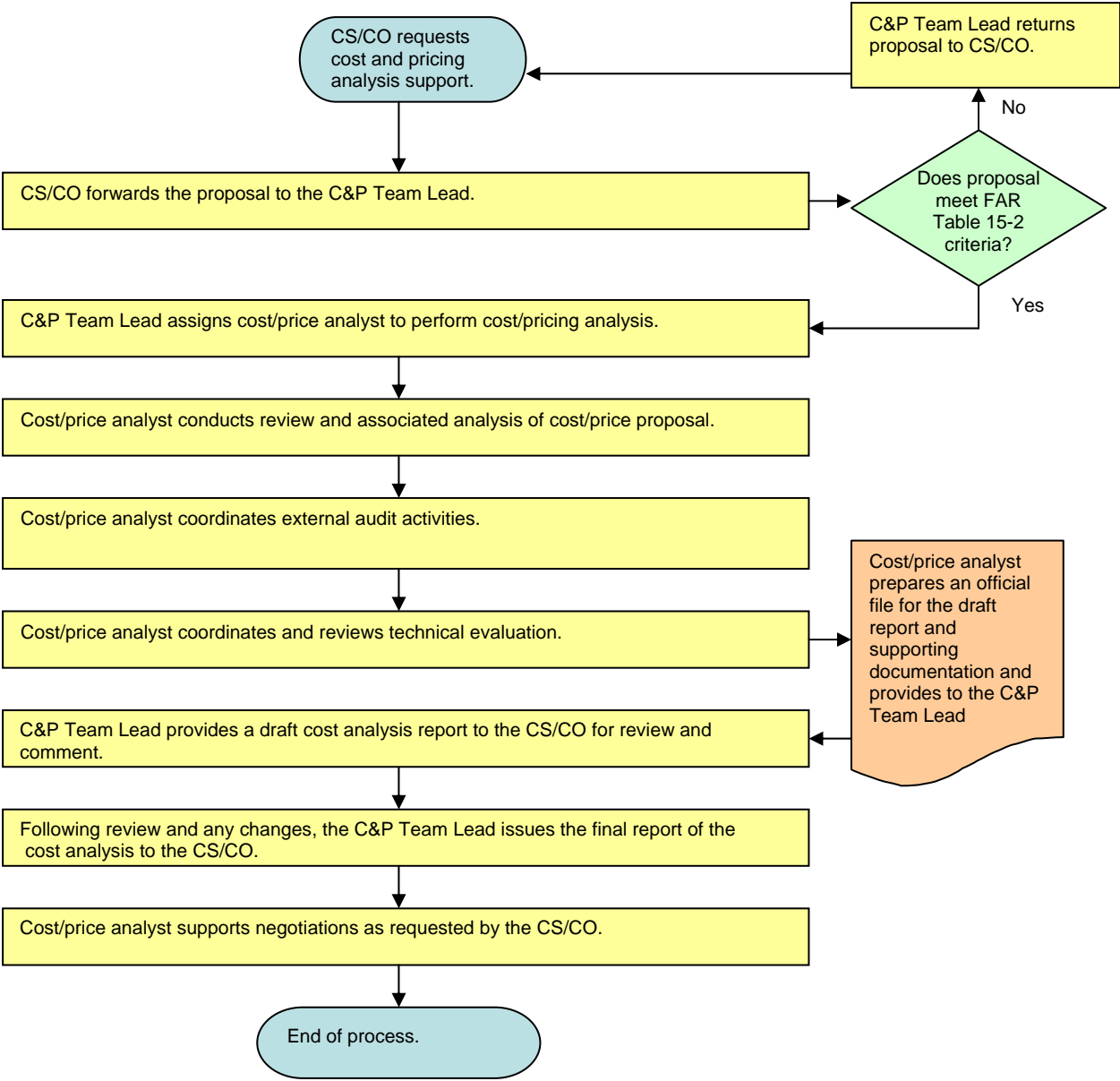
**To Achieve the 120 Day Timeframe
Post-Award Actions Which Require Headquarters Approval**

<u>Action</u>	<u>Timeframe To Complete Action</u>	<u>Cumulative Elapsed Time After Receipt Of Reviewable Proposal</u>
<u>Technical Evaluation:</u> Provide results of technical evaluation to cost analyst	21 days [3 calendar weeks]	21 days [3 calendar weeks]
<u>Cost Analysis Report:</u> Issue report to Contracting Officer which incorporates results of technical evaluation, DCAA report, and EMCBC cost analysis	35 days [5 calendar weeks]	35 days [5 calendar weeks because this timeframe also includes receipt of the technical evaluation]
<u>Draft Pre-Negotiation Memorandum Briefing Package:</u> Submit pre-negotiation package for EMCBC business clearance review	21 days [2 calendar weeks]	56 days [8 calendar weeks]
<u>EMCBC Business Clearance:</u> Receive approval/business clearance to forward the package to HQ [EM and MA]	7 days [1 calendar week – see section 8.6.3 of EMCBC procedure IP-540-15, Rev 1]	63 days [9 calendar weeks]
<u>HQ Business Clearance:</u> Receive approval/business clearance to begin negotiations	21 days [3 calendar weeks: 1 week for EM approval per Section 4 of EM HCA 1.6; 2 weeks for MA approval]	84 days [12 weeks]
<u>Complete Negotiations and Sign Modification</u>	14 days [2 calendar weeks]	98 days [14 calendar weeks]

The 90 day timeframe may be adjusted to offset delays beyond the control of the Contracting Officer. Typical examples of delays beyond the control of the Contracting Officer include:

- ✓ Contractor delays in submitting clarifications and supplemental supporting documentation
- ✓ Delays in receipt of DCAA audit reports
- ✓ Delays in receipt of results of technical evaluations

Cost and Pricing Analysis Support Flowchart



EMCBC RECORD OF REVISION

DOCUMENT

If there are changes to the controlled document, the revision number increases by one. Indicate changes by one of the following:

- I Placing a vertical black line in the margin adjacent to sentence or paragraph that was revised.
- I Placing the words GENERAL REVISION at the beginning of the text.

Rev. No.	Description of Changes	Revision on Pages	Date
1	Original Issue	All	09/29/08

CONTROLLED DOCUMENT CHANGE REQUEST

DATE: 09/19/08

INITIATOR: A. M. Bird

INITIATOR PHONE NUMBER: _____

DOCUMENT AFFECTED: IP-540-09

SECTION: _____ PARAGRAPH #: _____

CONTROLLED NUMBER : _____ PARAGRAPH #: _____

NEW CONTROLLED NUMBER: _____

PROPOSED
REVISION: _____

JUSTIFICATION: New IP

Requested by:
R. Holland DATE: _____

Approval: _____ DATE: _____
Associate Director

Assigned to: A. M. Bird DUE DATE: _____

Document Review Record Sheet				
Document Title	Cost and Pricing Analysis Support for Financial Assistance Actions and Post-Award Contract Actions			
IP Number IP-540-09	Revision No. 1	Date Issued for Review 9/5/08		
The subject document is being submitted for your review, approval or comments. Since this review is controlled, a response is required from all reviewers. Therefore, please return the review sheet with or without comments				
To: A. Bird	Extension: 6-0569	By: 9/12/08		
Additional Instructions:				
Reviewer	Approve	Approve w/Comments	Do Not Approve	Signature of Reviewer
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APPROVE: Signifies the reviewer's acceptance of the document issued for review.				
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General Review Comments:				
When review is delegated, the designated reviewer shall review and indicate concurrence with the designee's review comments and recommend disposition:				
Designated Reviewer	Concur	Do Not Concur	Signature	Date